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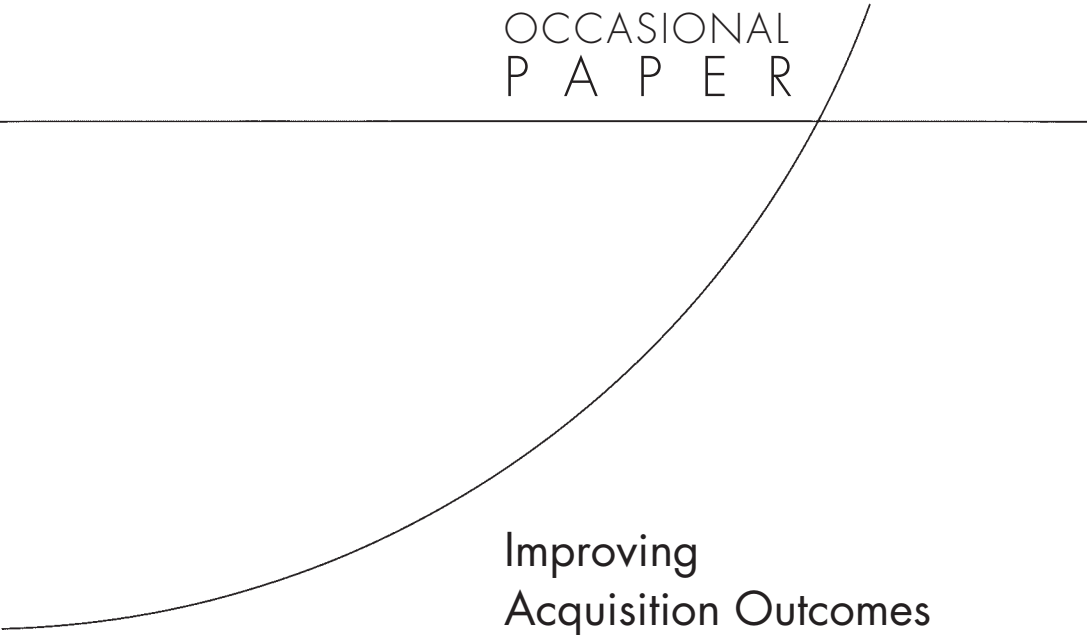
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Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE Improving Acquisition Outcomes: Organizational and Management Issues				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) RAND Corporation,National Defense Research Institute,1776 Main Street, P.O. Box 2138,Santa Monica,CA,90407-2138				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 18	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

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Improving Acquisition Outcomes

Organizational and Management Issues

Irv Blickstein and Charles Nemfakos

Prepared for the Office of the Secretary of Defense

Approved for public release; distribution unlimited



The research described in this report was prepared for the Office of the Secretary of Defense (OSD). The research was conducted in the RAND National Defense Research Institute, a federally funded research and development center sponsored by the Office of the Secretary of Defense, the Joint Staff, the Unified Combatant Commands, the Navy, the Marine Corps, the defense agencies, and the defense Intelligence Community under Contract W74V8H-06-C-0002.

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Published 2009 by the RAND Corporation
1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
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Preface

Today's defense environment is placing growing pressure on defense policymakers to be nimble and adaptive, particularly with respect to acquisition systems and processes. This occasional paper is one in a series drawing upon the expertise of core RAND Corporation staff to explore issues and offer suggestions on topics that are likely to be of critical importance to the new leadership: the use of competition, development of novel systems, prototyping, risk management, organizational and management issues, and the acquisition workforce. The papers are designed to inform new initiatives for markedly improving the cost, timeliness, and innovativeness of weapon systems that the Department of Defense (DoD) intends to acquire.

Many of the problems that contribute to poor cost and schedule outcomes are systemic to the way that the acquisition process is organized and managed in DoD. In this paper, we discuss a few of these problems and how they may be contributing to inefficiency and unrealistic expectations. The paper includes recommendations regarding the role of the service chiefs in the acquisition process, the role of the combatant commands in the requirements process, the impact of joint duty on the acquisition process, and the growing emphasis on management processes at the expense of workforce initiative.

This study was sponsored by the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSDAT&L) and conducted within the Acquisition and Technology Policy Center of the RAND National Defense Research Institute, a federally funded research and development center sponsored by the Office of the Secretary of Defense, the Joint Staff, the Unified Combatant Commands,

the Navy, the Marine Corps, the defense agencies, and the defense Intelligence Community.

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Improving Acquisition Outcomes

Introduction

Despite years of change and reform, DoD continues to develop and acquire weapon systems that it cannot afford and cannot deliver on schedule. The U.S. Government Accountability Office reported, for example, that research and development costs in 2008 for selected major programs were 42 percent higher than originally estimated and that the average delay in delivering initial capabilities had increased to 22 months (March 2009, p. 1). Also, William Lynn, the new Deputy Secretary of Defense, stated that it will be very difficult to sustain a force large enough to meet demands if current acquisition trends continue. This suggests that the new administration will have to find ways to halt traditional cost growth associated with fielding new capabilities—or consider program terminations (Lynn, 2009, p. 16).

Many of the problems that contribute to poor cost and schedule outcomes are systemic to the way that the acquisition process is organized and managed in DoD. It is our purpose in this paper to discuss a few of these problems and how they may be contributing to inefficiency and unrealistic expectations. These issues include

Organizational and management issues contribute to inefficiency and unrealistic expectations in the acquisition process.

- the service chiefs' role in the acquisition process
- the combatant commands' (COCOMs') role in the requirements process

- the impact of joint duty on the acquisition process
- a growing emphasis on management processes at the expense of workforce initiative.

The Service Chiefs' Role in the Acquisition Process Is Too Limited

Stronger ties are needed between service leaders who understand warfighting needs based on operational experience and those who are responsible for acquiring weapon systems to meet those needs. Over time, a schism has developed in some of the military departments between the service chiefs, who validate warfighting requirements, and the service acquisition chiefs who develop and acquire new weapon and information systems in conjunction with their program executive officers and program managers.

Service chiefs have become increasingly disconnected from the acquisition process.

A large impetus for the schism was the Goldwater-Nichols Act passed in 1986, which was intended to improve unity of command and push the military departments and the Joint Chiefs of Staff to instill a more “joint” approach to military operations. Among its key provisions, the act established that only one office in a military department was to have responsibility for that department’s acquisition process, and that office would report to the secretary of the military department (through a service acquisition executive). In effect, the Goldwater-Nichols Act put the service chiefs on the sidelines of the acquisition process.

At the time, there was some concern about the impact of this step. For example, Senator Sam Nunn said he “was concerned that we not create an impenetrable wall between the staffs of the service secretary and the service chief” (1985). As time has passed, it does appear that the service secretaries and the service chiefs, along with their respective staffs, are not regularly engaging in meaningful dialogue.¹

¹ For example, one program executive officer told the authors that “they have substantive discussions of my programs at the Pentagon, but I am not invited.”

Without such dialogue, service chiefs may be intractable in emphasizing warfighting needs at the expense of reducing cost where possible; on the other hand, the acquisition process loses the operational insight that is critical in analyzing trade-offs between cost, schedule, and performance.

To mitigate this problem, the military department acquisition instructions for each military department could be modified to *explicitly* state the duties and expectations of the service chiefs and their staffs. As an example, these instructions could state that program decision meetings, where acquisition decisions are made, could be chaired by the service acquisition executive and the service vice chief. Such a revision would send a broad message to those who develop warfighting requirements that a link exists between the requirements process and the acquisition process.

The Combatant Commands' Role in Defense Management

There is a prevailing theory in Washington, D.C., that acquisition outcomes would improve if the combatant commands had a greater role in DoD's process for *determining warfighting requirements*. According to this theory, acquisition outcomes would improve because the military departments would better attune themselves to the warfighting capabilities that COCOMs need to have as well as when they need to have them; on the other hand, acquisition outcomes would also improve because the COCOMs would have to take fiscal constraints into greater consideration when identifying the capabilities they want.

There is an historic precedent for this concept. The idea of addressing warfighter needs more directly through participation of the COCOMs in DoD's decisionmaking processes emerged in the middle 1980s during the Reagan Administration. At that time, Integrated Priority Lists (IPLs) were introduced to allow unified and specified commanders (at that time known as Commanders in Chief, or CINCs) to influence the direction of resource allocation and weapon systems acquisition by identifying their highest priority requirements and making recommendations for programming funds. In concept, IPLs were a

compelling idea: the people who are in charge of operationally leading our nation's military would appear to be the logical ones to determine what they need on the battlefield.

In practice, however, this approach did not improve outcomes. The then-CINCs did put together their lists, but each was quite different from the next, both in content as well as depth. Some were thought-out and actionable (e.g., "I need 40 more advanced medium-range air-to-air missiles in my Area of Responsibility"). Others, however, were vague, and it was unclear what action was needed to address the warfighting need. Even when various administrations invited these senior military leaders to Washington, D.C., to present their ideas, it was clear that they were neither attuned to the requirements process nor to the acquisition process and had not given sufficient thought to the content of their IPLs.

As the type of information in historical IPLs indicates, the combatant commands are warriors equipped to fight today's wars and to prepare for tomorrow's threats; they are not equipped for a major role in developing comprehensive, detailed, and thus directly action-

The current system of checks and balances between the COCOMs and the departmental headquarters are in an approximate balance.

able requirements for the DoD acquisition processes. This is quite understandable. The COCOMs and their staffs need to spend their tour of duty understanding their Area of Responsibility and their potential adversaries through training, exercises, and building country-to-country military relationships. Taking a major role in DoD management processes would diminish their ability to carry out that mission, and could lead to an excessive

emphasis in acquisition on near-term warfighting needs at the expense of long-term capability planning as well as to multiple and potentially duplicate staffs, all of which would ultimately affect the acquisition process.

The COCOMs' input into the requirements and acquisition processes is important and necessary, but current Title 10 allocations of responsibility already reflect the need to divide this labor by establishing the military department secretaries and their service chiefs to support the COCOMs by assessing and addressing their requests in light

of the funding available, the other demands of their individual departments (e.g., manpower and support), the ability of the public and private sectors to deliver what is possible, the condition of the industrial base, and the amount of risk in a program.

In short, the current systems of the operational commanders and the departmental headquarters already reflect that the COCOMs cannot do everything and that the United States does not want to distract the COCOMs from winning wars and achieving other military objectives and actions within their Area of Responsibility. It is the job of those in Washington, D.C., to reach out to the COCOMs and demonstrate that their needs are being addressed, rather than turn the process over to them.

Joint Duty Requirements Erode Operational Insights Within Acquisition Program Management

Efforts to instill greater “jointness” in military operations have had an unintended impact on the acquisition process, both diverting line officers away from management roles in the acquisition process and eroding the management credibility of those officers who do choose acquisition duty assignments. Prior to the Goldwater-Nichols Act (which required a military officer to serve in a joint duty assignment in order to achieve flag or general officer rank), officers could move between “line” operational duty assignments and acquisition duty assignments. After the Goldwater-Nichols Act, they could no longer do so as readily if they wanted to achieve flag or general officer rank in an operational role because of the limitations of time in a career. Consequently, they lacked the opportunity to develop a deeper understanding of the acquisition process by serving in acquisition duty assignments. Furthermore, those who chose to devote their energies to the acquisition realm faced erosion of their operational credentials and lacked credibility when, for example, it came to determining whether a particular performance requirement was truly needed.

Finally, as the number of officers serving in acquisition roles decreased, a sense emerged of the acquisition process “belonging” to the largely civilian material establishment, not the line officers. Interviews with program executive officers, senior requirements officials,

and political appointees in the acquisition process have provided strong anecdotal evidence that the channels of communications between the services' requirements and resourcing organizations (managed by line officers) and the service acquisition organizations are breaking down, and each realm is making decisions on common programs without consulting the other.

To improve this situation, the new administration could seek legislative change to give key service acquisition positions the equivalence of joint duty when it comes to potential promotion to flag or general officer rank. It would then become much easier for officers to move fluidly between operational and acquisition duty assignments, increasing the linkage between these two realms and also increasing the range of knowledge and expertise both of officers participating in the acquisition process and those serving to identify military requirements. Given the pressure on DoD's acquisition system, accomplishing such a change does not appear to be impossible.

Too Much Emphasis on Management Processes over Creativity and Initiative

Prescribing every step in the acquisition process has led to complexity, rigidity, and delay—not cost savings. The instruction that governs the department's acquisition process (DoD 5000.2) has been under constant review and modification from the late 1980s to today, with major updates issued in 1987, 1991, 1996, 2000, 2003, and 2008. The 2008 update references 79 laws, instructions, and directives, some addressing such esoteric matters as “Transfer Syntax for High Capacity ADC Media” and “Management of Signature Support within the Department of Defense.”²

² For example, the Defense Procurement and Acquisition Policy (DPAP) office stated that “The UID PMO would like to announce the October 4, 2006 publication of ISO/IEC 15434.3, Transfer Syntax for High Capacity ADC Media, which establishes ‘12’ as the approved Format Code for Text Element Identifiers.” As of May 14, 2009: <http://www.acq.osd.mil/dpap/UID/enewsletter/archive/dec06/>.

Recent acquisition reforms, which may have individual merit, together add up to a series of process changes that have reduced management flexibility and created new layers of bureaucracy. Some of these reforms, implemented under the guidance of former Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) Young with the best of intentions, and at times codified into law by the Congress, include

- competitive prototyping³
- a new series of Joint Action Teams
- Capability Portfolio Management Teams
- Reliability, Availability, and Maintainability Policy
- defining the “desirable attributes” of the defense industrial base and the methodology to assess industry progress toward developing these attributes
- Configuration Steering Boards (now in law)
- Joint Rapid Acquisition Committee.

The Joint Staff has also introduced changes that have increased the complexity of the overall acquisition process, replacing the Requirements Generation System with the Joint Capabilities Integration and Development System (JCIDS) in 2003. With JCIDS came a new series of analytic tools and documents. Many of these reforms involve the rote application of rules and the production of prescribed management information in preset templates that may not necessarily be appropriate or applicable for a specific program. Figure 1, which contains DoD’s representation of the acquisition management framework,

Prescribing every step in the acquisition process has led to complexity, rigidity, and delay—not cost savings.

³ See, for example, Drezner, Jeffrey A., and Meilinda Huang, *On Prototyping: Lessons from RAND Research*, OP-267-OSD, for an in-depth discussion of the benefits and issues of competitive and other prototyping.

speaks for itself in terms of the complexity of the department's requirements, acquisition, and budgeting processes.

From the perspective of the acquisition professionals in the Office of the Secretary of Defense (OSD), in the military department secretariats, and in the program manager and program executive offices across DoD, the extent to which these changes govern their actions leads to only one conclusion: Success means getting a program through the wickets—not the application of logic, cost-cutting measures, or technology. Of course, their job *should be* to think, create, or seek efficiencies, but the process motivates them instead to follow rules in a rote manner. Changes the Clinton Administration made to contracting rules in the middle 1990s shed some light on the impact of DoD's emphasis on management processes. That administration eliminated all specifications and standards, but the acquisition workforce (AW) and the defense contractors did not embrace this new freedom, preferring the safety of highly prescribed procedures they had become accustomed to. So, while military specifications were not required, defense contractors translated them into their own "company" specifications and used them on contracts, knowing that the government would readily accede to them.

One reason for DoD's growing emphasis on management processes is its decreasing supply of knowledgeable acquisition professionals. This decrease has occurred, in part, due to the enactment of false economies. For example, a critical event that helped shape the defense acquisition environment—the Defense Management Review process—had unforeseen long-term consequences. The Defense Management Review attempted to derive economies in defense spending by enhancing the efficiency of all elements of DoD through better material management practices, better organizational efficiency, and elimination of staffing redundancies. The review anticipated billions of dollars in savings from these efforts, and eliminated funding and billets from DoD's program plan. Many of the positions eliminated were in the acquisition management and oversight areas. Instead of simplifying the acquisition processes commensurate with a reduction in staff, the effort tried to substitute management processes for a cadre of knowledgeable engineers, logisticians, and material managers, decreasing creativity in

our acquisition process and forcing DoD to rely on additional support contractors to execute the process. We believe that doing so has created burdens that are neither well understood nor sufficiently evaluated. Clearly, the acquisition process is tending toward a bookkeeping process where innovation is not accepted or encouraged. The nation needs to recapture, motivate, and reward the competitive drive and the innovation of its acquisition professionals.

A more streamlined requirements and acquisition process needs to be put into effect, but it should be one that encourages workforce initiative and responsibility. Federally funded research and development centers (FFRDCs) and others could play a role in the solution, but there is a need to find the best practitioners, both uniformed and civilian, and empower them to identify the necessary changes. Laws and regulations will need to be reassessed to determine the latitude available, but with Congress complaining about the cost outcomes of the current system, even legislative change should be achievable. There are enormous potential savings associated with this change, but unshackling key military officers and civilian personnel by allowing them to bring their creative powers to bear on spiraling acquisition costs is essential to give affordability more priority in defense acquisitions. To start, the elimination of duplicate processes in the military departments and the OSD would be a positive step, with the former focusing on execution and the latter on establishing policy. Better lines of decisionmaking authority would be a positive step as well, along with truly streamlining the acquisition, requirements, and planning, programming, budgeting, and execution (PPBE) processes.

Conclusions

In this paper, we have highlighted several organizational and management issues, the resolution of which could have a key role to play in improving acquisition outcomes. All of the problems facing defense acquisitions cannot be placed on their doorstep, but attending to these issues properly will lead to a more efficient, integrated, and

innovative basis for decisionmaking, without which improved acquisition outcomes will not be possible. To this end, we offer the following recommendations:

- **Increase the service chiefs' role in the acquisition process.** In order for the requirements, funding, and acquisition processes to better function together, the service chiefs need a central, but not controlling, voice in the acquisition process. Having the service vice chiefs as co-chairs of the Military Department's Acquisition Board would be a step in the right direction. It would give the service chiefs a greater sense of participation in the acquisition process.
- **Ensure that the combatant commanders' role in the Pentagon's resource allocation processes is strictly advisory.** The input from the combatant commanders is very important, but they need to be free from bureaucratic processes that would take too much time away from their warfighting responsibilities.
- **Make acquisition positions equivalent to joint duty.** To entice the military officer line community to opt for acquisition positions, make a series of these positions the equivalent of joint positions, thus better enabling these officers to compete for higher rank.
- **Emphasize workforce initiative, not management processes.** Methods need to be developed—and training and incentives need to be constructed—to enable the acquisition workforce to think for itself, as opposed to the current process of proscribing everything through an instruction or regulation.

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